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Department of Defense Directive

Washington 25, D.C.

Number 200.07-10

TITLE SECURITY

SUBTITLE INDUSTRIAL SECURITY

NUMBER 200.07-10

Security Clearance of Private Contractors' Facilities and Employees

1. The Munitions Board has approved "Regulations Governing Security Clearance of Private Contractors Facilities," dated 1 November 1951 (Inclosure 1), and "Regulations Governing Security Investigation and Clearance of Private Contractor Employees," dated 1 November 1951 (Inclosure 2). These regulations are issued in compliance with the Secretary of Defense directive of 2 February 1951, to the Chairman of the Munitions Board, requesting the amendment of existing Munitions Board regulations for clearance of contractors' facilities and contractors' personnel so as to comply with established Department of Defense investigative requirements for access to Atomic Energy "Restricted Data."

2. These regulations supersede the Munitions Board "Regulations Governing Security Clearance of Private Contractors Facilities," dated 27 February 1950, and "Regulations Governing Security Investigation and Clearance of Private Contractors Employees," dated 27 February 1950 and 1 June 1951 with modification thereto.

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3. It is requested that these regulations be placed into effect on or before 15 February 1952 and that two copies of the implementing regulations be furnished to the Munitions Board.

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4. Munitions Board memorandum to the Secretaries of the Army, Navy, and Air Force, subject: "Regulations for Private Facilities and Contractors Employees Security Clearance," dated 19 July 1951, indefinitely extending the time for implementing the above-cited regulations is rescinded.

J. D. SMALL
Chairman, Munitions Board

Inclosures(2)

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Inclosure 1

REGULATIONS GOVERNING SECURITY CLEARANCE OF PRIVATE CONTRACTORS FACILITIES

1. OBJECTIVE: To assure the protection of classified security information, procurement agencies of the Department of Defense will insure that a prospective bidder or contractor has been granted a facility security clearance by one of the military Departments prior to disclosing classified security information as indicated below to such prospective bidder or contractor in connection with pre-contract negotiations for the award of or performance on a classified contract. With respect to certain contracts, attention is invited to the provisions of Section 10j, Act of 2 July 1926 (44 Stat. 787; 10 U. S. C. 310 (j)).

2. FACILITY CLEARANCES:

a. Facility security clearances are required for prospective bidders or contractors whenever access to security information classified higher than Restricted is involved or whenever any officer, director, or owners of the facility are aliens and access to Restricted security information is involved. In addition, alien employees of a facility will not be permitted access to Restricted security information until they have been investigated and cleared in accordance with the provisions of this regulation. The provisions of this paragraph do not affect the requirements for a security agreement whenever any classified security information is involved nor the requirement for an appropriate plant survey in accordance with paragraph 6.

* See par 2c, below

b. Facility security clearances, DD Form 562, when required in a. above will be granted by the military Departments to prospective bidders or contractors, provided that:

(1) The officers, directors, owners, and key employees who will require access to such classified security information in connection with pre-contract negotiations or preparation of bids are United States citizens, or aliens who have been lawfully admitted to the United States for permanent residence under an immigration visa.

(2) Except as indicated in (5) below, a check of the central records of the Federal Bureau of Investigation and the records of such other agencies as may be pertinent reveals no adverse information concerning:

(a) The facility.
(b) Officers.
(c) Directors.
(d) Owners and key employees who have access to classified security information.

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(3) A check of the fingerprint files and subversive indices of the FBI reveals no adverse information concerning persons referred to in (2) (b), (c) and (d) above.

(4) If the records reveal adverse information concerning persons referred to in (2) above, sufficient investigation thereof will be conducted to support a decision or deny a security clearance.

(5) If one of the persons referred to in (2) above is an alien, and security information classified Top Secret is involved, a background investigation of such alien has been completed.

(6) Persons referred to in (1) above have been issued a Letter of Consent as necessary for access to classified security information.

c. Subject to the conditions prescribed in sub-paragraph a. above regarding aliens, security agreements and surveys, the military Departments may, when necessary to prevent crucial delays in pre-contract negotiations or the award of contracts involving Secret security information; grant interim facility security clearances for access to Secret security information when no adverse information concerning persons referred to in (2) (b), (c) and (d) above is available in the records of the investigative agency designated for this purpose by the Department concerned, and the facility is not under foreign control or influence, subject to revocation in the event derogatory information is subsequently developed, pending completion of the required investigation and clearance.

d. Subject to the conditions prescribed in a. above regarding aliens, security agreements and surveys, the military Departments may grant interim facility security clearances for access to Confidential security information subject to revocation in the event derogatory information is subsequently developed, pending completion of the required investigation and clearance.

e. In those cases where a facility security clearance is not required under the provisions of this regulation and access to security information classified higher than Restricted is involved subsequent to the award of a contract, action will be taken to grant a clearance as prescribed in this regulation prior to the disclosure of such security information.

3. SECURITY AGREEMENT: The Department of Defense Security Agreement, DD Form 441, will have been executed by the prospective bidder or contractor with the military Department prior to the disclosure to such prospective bidder or contractor of any classified security information.

4. SCOPE OF FACILITY CLEARANCE: A clearance accorded a facility for the purpose of pre-contract negotiations or preparation of bids, made in accordance with paragraph 2., shall also constitute a clearance of

the facility for the purposes of the award of a contract, provided, however:

a. Such facility clearance shall not be considered to dispense with the requirements of paragraph 6. hereof, for adequate facilities for the protection of classified security information at the place at which the contract will be performed.

b. Clearance of private contractor personnel shall be required in the manner and to the extent provided by "Regulations Governing Security Investigation and Clearance of Private Contractor Employees."

5. FACILITY DENIAL:

a. Facility security clearances will not be granted when an officer or director of the firm or corporation or any owner who will have access to classified security information, is found to be unsuited for access to classified security information under the criteria established for the denying of personnel security clearances by the Army-Navy-Air Force Personnel Security Board. Whenever a denial appears justified, a copy of the report of investigation and any other evidence upon which the decision is predicated, together with appropriate recommendations, will be forwarded to the Army-Navy-Air Force Personnel Security Board for decision. A facility security clearance denied or revoked on security grounds other than those pertaining to the physical elements of security is appealable to the Industrial Employment Review Board. Security clearances for pre-contract negotiations need not be denied when a key employee is found to be unsuited for access to classified security information, provided the employee concerned will not be given access thereto.

b. If the facility is foreign owned or controlled to an extent that it may constitute a security risk, clearance will be denied in accordance with specific instructions on this subject.

c. Whenever any officer, director, owner, or key employee is found to be an alien in the United States under other than an immigration visa, military information will not be released or disclosed to the alien without the specific approval of the Department concerned.

6. PLANT SURVEY:

a. In addition to requirements concerning facility security clearances, the award of a contract involving classified security information by a Department will be subject to an appropriate survey of the plant, shop, laboratory, or place at which work under the contract will be performed for the purpose of determining whether adequate facilities are available for the protection of classified security information that will be released to or developed by the contractor so far as can be anticipated at the time of the survey. The Department concerned will conduct such formal or informal surveys as it deems proper according to the security classification, nature or volume of classified security information that will require physical protection. Whenever

practicable however, and time permits, a complete security survey will be conducted and DD Form 374, "Plant Security Survey Report," will be used.

b. The award of a contract involving classified security information will be withheld pending satisfactory complation of negotiations for the correction of deficiencies when a security survey reveals inadequate facilities for the protection of the classified security information. Responsibility for assuring compliance by the prospective contractor, with agreements for installation of security measures reached in such cases, shall rest with the military Department concerned.

7. CENTRAL RECORDS: Facilities cleared or denied clearance for pre-contract negotiations or for the award of contracts involving classified security information, and personnel cleared or denied clearance for access to classified security information will be recorded, and record thereof, together with copies of security surveys and security agreements will be promptly forwarded to, and maintained in the Central Index Files, ANAPPSB, c/o OPMC, Washington 25, D. C., in such manner that information concerning the status of such facilities and individuals is immediately available to all procurement agencies of the Department of Defense. DD Form 265, "Central Security Index File - Facility," and DD Form 264, "Central Security Index File - Personnel," will be used.

8. SUB-CONTRACTORS: The above policies pertaining to contractors are equally applicable to sub-contractors.

9. APPLICATION TO "RESTRICTED DATA." The foregoing policy will apply to "Restricted Data" as defined in the Atomic Energy Act of 1946, bearing military classifications, subject to the following specific requirements and limitations:

a. A complete National Agency Check (as defined in Secretary of Defense memorandum of 14 June 1950, as amended, "Policy on Investigation and Clearance of Department of Defense Personnel for Handling Top Secret, Secret, and Confidential Material and Information") is required beforehand concerning all officers, directors, and owners, and all key employees who will have access to classified security information if the security information involved is classified Top Secret, Secret, or Confidential. With respect to security information classified Restricted, a National Agency Check will be made of the foregoing persons if one of them is an alien, except that only such alien key employees who must have access to the classified security information need be checked.

b. The requirements of Public Law 585, 79th Congress, apply to the investigation and clearance of personnel within the Department of Defense, its contractors, and contractors' employees for access to "Restricted Data" in the possession of contractors or contractors' employees of the Atomic Energy Commission.

10. NON-APPLICABILITY: The provisions of the above policy do not apply to prospective bids or contracts involving research, development and production of cryptographic equipment. - Exception

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Inclosure 1

Approved: Munitions Board

Authenticated:

LEROY HUDSON
Colonel, USAF
Chief
Office of Industrial Security

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Enclosure 2

REGULATIONS GOVERNING SECURITY INVESTIGATION
AND CLEARANCE OF PRIVATE CONTRACTOR EMPLOYEES

1. OBJECTIVE: In order to minimize the security risk incident to the handling of classified security information by Department of Defense contractor employees, it is essential that the loyalty, integrity, and trustworthiness of such personnel as is specified in this policy be established by investigation.

2. RESPONSIBILITY:

a. Military Departments concerned are responsible for investigating and clearing contractor personnel in accordance with the provisions of this policy. A clearance granted as prescribed herein constitutes an administrative determination that the employment of such individual, in the manner proposed, will not be inimical to the interests of the United States, and will be evidenced by the issuance of an appropriate letter of consent (DD Form 560 or DD Form 561 as appropriate).

b. This policy will not be interpreted as having any effect upon arrangements mutually agreed on by military Departments whereby one Department may conduct investigations or grant personnel security clearances for another Department. Each military Department, however, shall be responsible for taking appropriate action to prevent the disclosure of classified security information to persons referred to in this policy until the prescribed clearances have been granted.

3. REQUIRED INVESTIGATIONS: Department of Defense contractor employees in the following categories will be investigated as indicated:

a. For United States citizens whose duties or employment in connection with the performance of a contract will involve access to security information classified as Top Secret, a Background Investigation will be conducted.

b. For United States citizens whose duties or employment in connection with the performance of a contract will involve access to security information classified as Secret, a National Agency Check will be conducted.

c. For aliens whose duties or employment in connection with the performance of a contract will involve access to any classified security information, a Background Investigation will be conducted.

d. Investigation and clearance of contractor employees whose duties or employment in connection with the performance of a contract will involve access to Confidential or Restricted security information are not required, except as prescribed in subparagraphs c. above, and e. below.

e. A check of the Fingerprint Files and subversive indicies by the FBI revealed no adverse information concerning persons referred to in paragraph a., b., and c. above.

f. The provisions of this policy are not intended to preclude investigation of contractor personnel not otherwise provided for herein, whenever there is any evidence that the continued employment of such persons constitutes a security risk.

4. SCREENING: Each request will be carefully screened by the requester in order to insure that investigations are necessary and are not duplicative of a previous satisfactory investigation. Whenever a prior investigation by any agency of the Federal Government meets the standards prescribed in paragraph 6 below, request for a new investigation normally will not be made, and clearance may be granted based upon the prior investigation. Whenever the prior investigation does not meet such standards, request may be made for supplemental or additional investigation.

5. PRESCRIBED FORMS: The following forms are prescribed for requesting investigations, including the number of copies of each form which will accompany each request:

a. Five (5) copies of DD Form 48, "Personnel Security Questionnaire," will be completed by all United States citizens who are subject to investigation by reason of employment on Department of Defense contracts.

b. Five (5) copies of DD Form 49, "Alien Questionnaire," will be completed by all aliens who are subject to investigation by reason of employment on Department of Defense contracts; and in the case of contracts for furnishing or constructing aircrafts, aircraft parts, aeronautical accessories, by all aliens who require access to the plans or specifications, or to the work under construction, or to participate in the contract trials, whether or not access to classified security information is involved.

c. One (1) Applicant Fingerprint Card (Number 16-63413-1) will be completed for all persons subject to investigation by reason of employment requiring access to classified security information. The National Defense Program Fingerprint Cards may also be used until present supplies are exhausted.

6. SCOPE OF INVESTIGATION:

a. Background Investigation. For the purpose of this policy, a Background Investigation is a thorough and complete investigation in which pertinent facts having a bearing on the loyalty, integrity, and reputation of the subject will be inquired into. A Background Investigation will be conducted in accordance with the Secretary of Defense memorandum, subject: "Policy on Investigation and Clearance of Department of Defense Personnel for Handling Top Secret, Secret, and Confidential Material and Information," dated 14 June 1950, as amended.

b. National Agency Check. A National Agency Check is a check of the agencies indicated below, as appropriate, and will be conducted in accordance with Secretary of Defense memorandum mentioned in paragraph 6a. above.

(1) Federal Bureau of Investigation (FBI).
(2) Assistant Chief of Staff, G-2, Department of the Army (G-2).
(3) Office of Naval Intelligence, Department of the Navy (ONI).
(4) Office of Special Investigations, the Inspector General, USAF, Department of the Air Force (OSI).
(5) Civil Service Commission (CSC).
(6) Bureau of Immigration and Naturalization (INS).
(7) House Committee on Un-American Activities (HCUA).
(8) Central Index Files, Army-Navy-Air Force Personnel Security Board (ANAFPSB).
(9) Other agencies as appropriate.

c. Derogatory information. In the event derogatory or questionable information concerning a subject is disclosed by a National Agency Check, the inquiry will be extended as necessary to obtain such additional information as may be required as a basis upon which to grant or deny clearance.

7. CLEARANCES:

a. Upon completion of required investigations as prescribed in paragraph 3. above, the Department concerned may grant personnel security clearances by issuance of letters of consent, DD Form 560 and 561, to the contractors involved. In the case of United States citizens referred to in paragraph 3.c. above, Departments concerned may issue a letter of consent, DD Form 560, based on favorable results of a National Agency Check pending completion of the required background investigation. In the case of aliens referred to in paragraph 3.c. above, Departments concerned may issue a letter of consent, DD Form 561, for access to security information up to and including Confidential, based on favorable results of a National Agency Check, pending completion of the required background investigation. In exceptional cases the Departmental Secretary is authorized to grant an interim letter of consent for access to Secret security information. In all instances, such letters are subject to revocation in the event derogatory information within the meaning of the criteria established for the Industrial Employment Review Board is subsequently developed.

b. Activities of the military Departments will not initially deny personnel security clearances of contractor employees. Whenever a denial appears justified a copy of the report of investigation and any other evidence upon which the decision is predicated, together with appropriate recommendations, will be forwarded to the Army-Navy-Air Force Personnel Security Board for decision.

c. Appropriate letters of consent, DD Form 561, may be issued by Departments concerned, to contractors involved, for alien employees requiring access to unclassified matter described in Section 10 (j).

Act of 2 July 1926 (44 Stat. 787; 10 U.S.C. 310 (j)). No such consent will be granted unless, after full consideration of the evidence presented, it is determined that the employment of such individual, in the manner proposed, will not be inimical to the interests of the United States. Whenever a denial is indicated, the provisions of subparagraph b. above will govern. Normally a review of the Alien Questionnaire should be sufficient.

8. WAIVER OF CLEARANCE REQUIREMENTS:

a. Departments concerned are authorized to modify clearance requirements for Department of Defense contractor employees, except aliens, who require access to Secret security information, pending completion of National Agency Checks when considered necessary for the performance of contracts. Such action will not be taken, however, unless after full consideration of the evidence presented (Personnel Security Questionnaire together with personnel reports of contractors or other similar data, such as that obtainable from local sources) it is determined that such access will not be inimical to the security interests of the United States. In arriving at decisions to modify clearance requirements, the criteria established for the Industrial Employment Review Board should be applied. Further, letters of consent, DD Form 560, should be issued when favorable action is taken pursuant to the provisions of this subparagraph, subject to revocation in the event derogatory information is subsequently developed.

b. In connection with the authority to modify clearance requirements as indicated in subparagraph a. above, it is not intended that contractors should be compelled to furnish personnel reports. Especially is this true with respect to those firms which do not maintain extensive personnel records as a matter of policy within their organization. However, when personnel reports or other similar data are not available, action to modify clearance requirements will not be taken.

9. REVOCATION OF CLEARANCE: Whenever a letter of consent has been issued, it will not, except in an emergency, be revoked until authorization therefor has been obtained from the Army-Navy-Air Force Personnel Security Board. An emergency is defined as any situation in which failure to act until the above authorization has been obtained presents a serious threat to the security interests of the United States. In arriving at decisions to revoke letters of consent, the criteria established for the IERB should be applied.

10. APPEALS FROM DENIALS: Any contractor employee who has been denied a personnel security clearance or whose clearance has been revoked will be advised of his right of appeal in accordance with established policy on this subject.

11. CENTRAL RECORDS:

a. Immediately upon the granting of a clearance of contractor employees,

DD Form 264, "Central Security Index File - Personnel," will be completed and promptly forwarded to the Central Index Files, Army-Navy-Air Force Personnel Security Board, c/o Provost Marshal General, Washington 25, D. C.

b. Whenever a clearance is denied, or letter of consent revoked, a statement to that effect will be forwarded to the Central Index Files in addition to the other information required in subparagraph a. above. Periodically, a list of such denials will be made available to the military Departments.

c. Activities of the military Departments will make full use of the Central Index Files in order to avoid duplication of investigation and clearances. DD Form 555, "Central Security Index File Check," may be used for this purpose.

12. SUBCONTRACTOR EMPLOYEES: The above policies pertaining to contractor employees are equally applicable to employees of subcontractors.

13. APPLICATION TO CRYPTOGRAPHIC EQUIPMENT: Cryptographic clearances will be issued by the appropriate military Department under regulations concerning this subject. Denials or revocations of cryptographic clearances are not appealable under these regulations.

14. APPLICATION TO "RESTRICTED DATA:" The foregoing policy will apply to "Restricted Data" as defined in Atomic Energy Act of 1946, bearing security classifications, subject to the following specific requirements and limitations:

a. No United States citizens will be declared eligible for access to "Restricted Data" bearing the security classification Top Secret, Secret, or Confidential until the following clearance requirements are met:

(1) Top Secret: Background investigation. Interim clearance may be granted on the basis of a favorable result of a complete National Agency Check. The Departments may issue letters of consent on an interim basis as provided for in paragraph 7.a.

(2) Secret and Confidential: National Agency Check.

b. For aliens whose duties or employment in connection with the performance of a contract will involve access to "Restricted Data" having any security classification, a Background Investigation will be conducted. The Departments may issue letters of consent on an interim basis as provided in paragraph 7.a.

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c. The requirements of Public Law 585, 79th Congress, apply to the investigation and clearance of personnel within the Department of Defense, its contractor and contractors' employees for access to "Restricted Data" in the possession of contractors or contractors' employees of the Atomic Energy Commission.

Approved: Munitions Board

Authenticated:

LEROY HUDSON
Colonel, USAF
Chief
Office of Industrial Security

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